



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
1600 EAST LAMAR BLVD
ARLINGTON, TEXAS 76011-4511

March 4, 2013

Randall K. Edington
Executive Vice President, Nuclear
and Chief Nuclear Officer
Arizona Public Service Company
P.O. Box 52034, Mail Stop 7602
Phoenix, AZ 85072-2034

SUBJECT: ANNUAL ASSESSMENT LETTER FOR PALO VERDE NUCLEAR
GENERATING STATION UNITS 1, 2 and 3 (REPORT 05000528/2012801;
05000529/2012801; and 05000530/2012801)

Dear Mr. Edington:

On February 13, 2013, the NRC completed its end-of-cycle performance review of Palo Verde Nuclear Generating Station, Units 1, 2 and 3. The NRC reviewed the most recent quarterly performance indicators (PIs) in addition to inspection results and enforcement actions from January 1, 2012 through December 31, 2012. This letter informs you of the NRC's assessment of your facility during this period and its plans for future inspections at your facility.

The NRC determined that overall, Palo Verde Nuclear Generating Station, Units 1, 2 and 3, operated in a manner that preserved public health and safety and met all cornerstone objectives. The NRC determined the performance at Palo Verde Nuclear Generating Station Units 1, 2 and 3, during the most recent quarter was within the Licensee Response Column of the NRC's Reactor Oversight Process (ROP) Action Matrix because all inspection findings had very low (i.e., Green) safety significance, and all PIs indicated that your performance was within the nominal, expected range (i.e., Green). Therefore, the NRC plans to conduct only ROP baseline inspections at your facility.

The performance at Palo Verde Nuclear Generating Station, Units 1, 2 and 3, was in the Regulatory Response Column of the Action Matrix in the third quarter 2012, due to a greater-than-Green inspection finding in the Security Cornerstone. On June 25, the NRC completed a supplemental inspection for the finding and concluded that your staff performed an acceptable evaluation of the greater-than-Green finding, identifying the cause and implementing corrective action to prevent recurrence. Based on the results of our inspection, the NRC closed this inspection finding. Because this finding was no longer considered an Action Matrix input as of the beginning of the fourth quarter 2012, performance at Palo Verde Nuclear Generating Station, Units 1, 2 and 3, returned to the Licensee Response Column of the Action Matrix. This decision was communicated to you in a Follow-up Assessment Letter dated October 11, 2012 (ML12285A079).

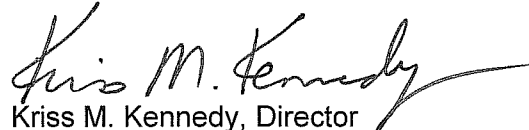
The enclosed inspection plan lists the inspections scheduled through June 30, 2014. Routine inspections performed by resident inspectors are not included in the inspection plan. The inspections listed during the last nine months of the inspection plan are tentative and may be

revised at the mid-cycle performance review. The NRC provides the inspection plan to allow for the resolution of any scheduling conflicts and personnel availability issues. The NRC will contact you as soon as possible to discuss changes to the inspection plan should circumstances warrant any changes. This inspection plan does not include security related inspections, which will be sent via separate, non-publicly available correspondence.

In accordance with 10 CFR 2.390 of the NRC's Rules of Practice, a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room).

Please contact Don Allen, Chief, Project Branch E, at (817) 200-1574 with any questions you have regarding this letter.

Sincerely,


Kriss M. Kennedy, Director
Division of Reactor Projects

Docket Nos. 05000525, 05000529, 05000530
License Nos. NPF-41, NPF-51, NPF-74

Enclosure:
Palo Verde Nuclear Generating Station Inspection/Activity Plan

Inspection / Activity Plan

03/01/2013 - 06/30/2014

Unit Number	Planned Dates		Inspection Activity	Title	No. of Staff on Site
	Start	End			
1, 2, 3	03/04/2013	03/08/2013	EP1 - BIENNIAL EXERCISE INSPECTION		4
			IP 7111401	Exercise Evaluation	
1, 2, 3	01/01/2013	06/30/2013	TI-182 - UNDERGROUND PIPING PHASE 1		3
			IP 2515/182	Review of the Implementation of the Industry Initiative to Control Degradation of Underground Piping	
1, 2, 3	03/04/2013	03/08/2013	EP-3 - EP PERFORMANCE INDICATORS		1
			IP 71151-EP01	Drill/Exercise Performance	
1, 2, 3	03/04/2013	03/08/2013	IP 71151-EP02	ERO Drill Participation	
1, 2, 3	03/04/2013	03/08/2013	IP 71151-EP03	Alert & Notification System	
1	04/01/2013	04/12/2013	PSB2-ISI - INSERVICE INSPECTION		1
			IP 7111108P	Inservice Inspection Activities - PWR	
1	04/01/2013	04/12/2013	PSB2-ISI - U1 INSERVICE INSPECTION		4
			IP 7111108P	Inservice Inspection Activities - PWR	
1	09/30/2013	10/04/2013	EXAM - INITIAL LICENSED OPERATOR EXAM		7
			X02511	INITIAL EXAM PV UNIT 1 (07/22/13)	
2	09/30/2013	10/04/2013	X02512	INITIAL EXAM- PV UNIT 2 (07/2013)	
3	09/30/2013	10/04/2013	X02513	INITIAL EXAM- PV UNIT 3 (07/2013)	
1	11/04/2013	11/08/2013	X02511	INITIAL EXAM PV UNIT 1 (07/22/13)	
2	11/04/2013	11/08/2013	X02512	INITIAL EXAM- PV UNIT 2 (07/2013)	
3	11/04/2013	11/08/2013	X02513	INITIAL EXAM- PV UNIT 3 (07/2013)	
1, 2, 3	10/01/2013	10/04/2013	PSB2-RP - RADIATION SAFETY		2
			IP 71124.01	Radiological Hazard Assessment and Exposure Controls	
1, 2, 3	10/01/2013	10/04/2013	IP 71124.02	Occupational ALARA Planning and Controls	
2	10/01/2013	10/04/2013	IP 71151-OR01	Occupational Exposure Control Effectiveness	
1	10/01/2013	10/04/2013	IP 71151-PR01	RETS/ODCM Radiological Effluent	
3	10/07/2013	10/18/2013	PSB2-ISI - INSERVICE INSPECTION		1
			IP 7111108P	Inservice Inspection Activities - PWR	
3	10/07/2013	10/18/2013	PSB2-ISI - PV UNIT 3 INSERVICE INSPECTION		1
			IP 7111108P	Inservice Inspection Activities - PWR	
1, 2, 3	10/21/2013	11/22/2013	EB1-21 - COMPONENT DESIGN BASIS INSPECTION		7
			IP 7111121	Component Design Bases Inspection	
1, 2, 3	01/27/2014	01/31/2014	TSB 52B - BIENNIAL PI&R		4
			IP 71152B	Problem Identification and Resolution	
1, 2, 3	02/10/2014	02/14/2014	IP 71152B	Problem Identification and Resolution	

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.

Unit Number	Planned Dates StartEnd	Inspection Activity	Title	No. of Staff on Site
1, 2, 3	06/16/201406/27/2014	EB1-17T - TRIENNIAL PERM PLANT MODS & 50.59 IP 7111117T	Evaluations of Changes, Tests, or Experiments and Permanent Plant Modifications	3